

## DHHS POLICIES AND PROCEDURES

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<b>Section II:</b>	<b>Budget and Analysis</b>
<b>Title:</b>	<b>Cash Management Plan</b>
<b>Chapter:</b>	<b>Management of Disbursements, Cash Management Over Disbursements</b>
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According to the provisions within General Statute 143-3.2, the North Carolina (NC) Office of the State Controller has delegated the authority to the Department of Health and Human Services (DHHS), Office of the Controller to make disbursements. While the objective of controlling receipts is to collect as early as possible, the objective of managing disbursements is to maintain funds in interest-bearing accounts for the longest appropriate period of time. This allows the state to recognize the maximum earning potential of its funds. This is not intended, however, to encourage late payment or detrimental relationships with the firms who, in good faith, supply goods and services to the state. The following rules are included in this plan.

### **Funds Remain on Deposit Until Disbursement to Ultimate Payee**

Moneys deposited with the state treasurer are to remain on deposit with the state treasurer until final disbursement to the ultimate payee. This law in essence prohibits processing receipt or disbursement of state funds through contractor or intermediary bank accounts.

### **No State Funds May Be Expended Without an Authorized Budget**

As provided by G.S. 147-86.10, **the order in which appropriations and other available resources are expended shall be subject to the provisions of the Executive Budget Act, G.S. 143-1 through 34.45**, regardless of whether the state agency disbursing or expending the moneys is subject to the act. Funds are not to be disbursed if they are not in the authorized budget. G.S. 143-16.1 (a) states “All federal funds shall be expended and reported in accordance with the Executive Budget Act”, except as otherwise provided by law”.

### **Monthly Expenditure Reporting Requirements for Local Governments and Others Receiving Funding from DHHS**

For all disbursements to local governmental units, non profit organizations or for profit organizations under contractual obligation or who receive allocations of funds from DHHS, monthly expenditure reporting is required in the proscribed format of the DHHS responsible DHHS division. Monthly reporting is not required for those contractual arrangements where reimbursement to a contractor is based upon a one time payment for submission of the

product deliverable (such as a print job or an evaluation report) or completion of a task (such as proctoring examinations or conducting a workshop). The contract must have reporting and reimbursement language to that effect.

## **Pre-Audit of Disbursements Policy**

Prior to disbursement of state and federal funds, the DHHS Controller's Office accounts payable staff and program benefit payments staff with responsibility for payment of obligations for a division, facility or school will perform appropriate cash disbursement pre-audit procedures including matching the original invoice/billing prices and quantities with the amounts authorized on the purchase order, verifying that the quantity invoiced was received per the receiving report, checking invoice math for accuracy and assuring that the following required documents are on hand and approved by a manager or staff person who is authorized to approve payments or refunds of receipts in the division, facility or school matrix to this plan. Accounts payable staff will review all disbursement documentation to ensure that the following items are on-hand prior to approval of any item for payment.

### **1. Purchase Order (PO) Purchases/Requisitions:**

- A copy of the PO (on-line or hard copy)
- Original invoice from the vendor (payment from copies is not allowed)
- Receiving report, signed off by an authorized state employee (on-line or hard copy)
- Receipt authority, Local Purchase Authorization (LPA)

### **2. Contracts:**

The following items of documentation should be included in division contract files, however, the DHHS Controller's Office requires only the five (5) items as applicable indicated with an "\*" in its files to process payments.

- \*A copy of the approved, signed contract for the applicable fiscal year. If applicable, original signed contract amendments with all supporting documents and/or any approved budget amendments.
- Contract approval form.
- Nine-point justification or amendment justification.
- NCAS header sheet.
- Federal assurances with respect to lobbying requirements, debarment, drug-free workplace, and environmental tobacco smoke.
- \*Audit requirements questionnaire (not required for personal service contracts).
- If applicable, DOA purchasing and contact approval letter.
- Other applicable required approvals specific to each division.
- If applicable, RFP/RFI/RFA and supporting documentation.
- Letters of tax exempt status.

- \*A notarized policy addressing conflicts of interest. The DHHS controller's office requires a copy of the notarized policy addressing conflicts of interest or a certification by the division budget officer on the contract package that a current copy of the policy addressing conflicts of interest is on file with the division.
- \* A reimbursement request from the contractor, approved for payment by the program contract manager.
- Contact manager approval is waived for Office of Economic Opportunity (OEO) contracts per **Exception OEO – 1**.
- A DHHS Contract Certification of Compliance form signed by the president or treasurer of the contractor entity is required.
- \*A completed DHHS Certification of Cash Needs (Attachment 12) (Note: Not required for Purchase of Services Contracts (POS) as advances are not allowable on POS contracts).

3. **Employee Travel:**

- The original Travel Reimbursement Request signed by the claimant and the supervisor with attached hotel receipts and other appropriate receipts as established by OSBPM travel policy.
- An authorization form signed by the appropriate manager for amounts in excess of these approved limits (inclusive of conference authorization forms, out-of-state travel forms, etc.) is required.

4. **Tuition Reimbursement:**

- Application for Employee Education Assistance form (PD 136), approved by the supervisor for participation.
- Copy of the transcript, indicating passage of the course.
- Copy of canceled check or receipt for tuition payment.

5. **Non-PO Type Expenditures (Such As Utility Bill, SIPS Bills, Credit Card Bills, Etc.):**

- Pay from an original invoice approved for payment by an authorized member of division management, not a copy. (In the interest of timely payment of utility bills, the original invoice is mailed directly to the DHHS Office of the Controller, General Accounting/Financial Management Section and it is paid first, and then sent to the division for review.)
- Ensure that utility bills are for locations that the division/facility/school is responsible.
- For credit card statements, ensure that the division/facility/school business manager or budget officer has reviewed for compliance with purchasing requirements and approved the statement for payment.

- For credit card statements, ensure that there is a copy of the receipt (receiving report) for each of the purchases on the credit card statement.
- For credit card statements, ensure that the supervisor has approved the purchases by his or her signature for each purchase on the monthly statement.

**6. Capital Improvement Disbursements:**

- Determine that capital improvement payments are based on percentage of completion of the total project.
- Determine that contractor invoices are approved by the architect or engineer in charge of the project.
- Determine that performance contracts are acceptable and authorized.
- Determine that the contract retainages are correct and withheld from all progress payments.
- If this is a reimbursement capital project, the architect’s approval is required to pay any contractor.

**7. Refund Of Receipts Authorization Policy:**

- A Refund Authorization Request signed by an employee authorized to approve refunds and a supervisor is required.
- The refund request shall provide the reason for the refund, the date, amount and deposit number of the original receipt, and the name and mailing address of the payee.

**Credit Card Disbursements**

The budget officer or business manager of each division/facility/school shall review statements for appropriate charges, and submit statements to the DHHS Controller’s Office General Accounting Unit assigned to the division/facility/school for processing payments.

**DMH/DD/SAS Exception 9**

Exempts corporate credit card charges for physician reference checks through the National Practitioner Database (NPD) authorized in advance per a list furnished by the division/facility/school medical director or a designee. The NPD accepts only commercial credit cards for payment.

**Information From Private Organizations Receiving State Funds, Information From State Departments and Agencies Providing State Funds G.S. 143-6.1**

State funds appropriated by the General Assembly (inclusive of federal funds) shall not be disbursed to any corporation, organization, or institution until all the required reports and financial information have been provided as required by this section. The editor’s notes for G.S. 143-6.1 requires each private, nonprofit entity eligible to receive state funds to file with

the disbursing agency a notarized copy of that entity's policy addressing conflicts of interest. It is the responsibility of the funding agency/division/facility/school to obtain a notarized Conflict of Interest Statement approved by the current board of directors of the entity and to maintain the Conflict of Interest Statement in the contract file.

### **Mailing Checks Policy**

All checks will be mailed from the DHHS Controller's Office directly to the payee. Any travel advances and reimbursements not made via direct deposit will be mailed to the address provided on the advance or reimbursement form. For security reasons checks will not be returned to the division/facility/school authorizing unit and arrangements must be made in advance with the DHHS Controller's Office accounts payable staff for any remittance information or instructions that must be mailed with checks. An exception to this policy would be checks to establish and reimburse petty cash and change funds that will be mailed to the division/institution cashier or fund custodian.

### **Federal and Other Reimbursements Must be Repaid to the Source of State Funds**

Federal and other reimbursements of expenditures paid from state funds shall be paid immediately to the source of the state funds. Accordingly, receipts shall be recorded in the company/account/center that has incurred or will incur the reimbursable expenditure. An appropriate clearing account may be established in the general fund for recording receipts pending allocation of reimbursable expenditures. Revenue clearing account balances shall be reclassified as appropriate to receivables or payables as the case may be for CAFR reporting. unearned federal cash balances on hand in clearing accounts at June 30th each year will be transferred to the appropriate federal fund code to avoid reversion of federal cash and duplication of revenue reporting in the subsequent year. Unallocated program refunds and overpayment recoveries containing funds due to federal or local governments will be carried forward to the subsequent year for distribution to the appropriate parties and funds. Unallocated refunds will be transferred to the agency fund or reclassified as payables or deferred revenue for CAFR reporting.

### **Financing Reimbursable Expenditures With State Appropriations Policy**

State appropriations shall not be used to support expenditures that are reimbursable from any source when an advance is available by letter of credit or other means. In general, this means you may not finance the federal share of expenditures with state funds when an advance is available. Likewise, federal cash advances and claims for reimbursement are generally limited to the federal share of allowable cost incurred. Accordingly, DHHS policy is to disburse the required non-federal share of each advance or expenditure at the time the allowable advance or expenditure is incurred. Some federal programs have maintenance of effort requirements. Maintenance of effort expenditures must generally be incurred by the end of the federal fiscal year or other period specified in the award, code of federal regulations or federal law. When an expenditure is eligible for reimbursement under more than one federal award the expenditure will be charged based on a plan approved by the

DHHS Controller and the DHHS Deputy Secretary. Such plans will be designed to maximize the earned revenue to the state from all the grants and/or assure that the maximum number of eligible recipients are served. To avoid loss of funding the oldest available award will be used first, awards with the higher reimbursement rate will be used second, awards with more restrictive requirements will be used third, and finally the most recent awards with the least restrictive requirements (usually block grants) are used last or carried over to another period.

### **Reconciliation of Bank Accounts Policy**

Agency bank accounts shall be reconciled on a monthly basis within 15 calendar days of the receipt of the State Treasurer's statement. The monthly bank reconciliation is to be verified by the DHHS Controller's Office staff assigned responsibility for the account. Staff assigned to reconcile the bank accounts may not be assigned duties involving posting accounts, authorizing disbursements or handling receipts and unpaid checks.

### **Uncashed Public Assistance Checks Policy**

In the case of DSS, federal regulations require the return of federal participation in TANF checks that remain uncashed for a period of 180 days. The OSBPM has given approval to treat all public assistance payment checks consistently. In order to comply with federal regulations, a report is produced that lists all checks outstanding after a period of 90 days. County DSS offices are notified that these checks are outstanding and will be canceled in a subsequent month.

### **Interagency Transfers and Payments Policy**

DHHS divisions will follow the OSC Memorandum dated May 25, 1995 on the Cash Management Control System and will use the Cash Management Control System for all transfers as follows:

1. Between DHHS agencies and all transfers outside of DHHS.
2. Permanent transfers of appropriations to another agency should be made by budget revision.

### **Disbursements to Local Governments Policy**

All DHHS divisions which make payments to local units of government will utilize electronic transfer of funds, and are directed to follow the requirements of the most current state Controller's Office Cash Management Directive - Electronic Funds Transfer (EFT) dated June 28, 1995. Those agencies which receive federal funds will follow the State Controller's Office Cash Management Plan Directive/Memorandum dated July 1, 1993 for federal funding in the receipting, disbursement and drawing of these federal funds.

## **Time of Payment for Goods and Services Received Policy**

Billings to the state for goods received or services rendered shall be paid neither early nor late but on the discount date or due date to the extent practical. Early payment should be avoided. The NCAS accommodates the timely payment of invoices by scheduled due date. The disbursement date scheduled by the system to produce checks will not be overridden or changed without the approval of the DHHS Controller's Office Section Chief in charge of the accounts payable operation. Such approval may be given when a request is received from a division director or budget officer with a program justification for payment on an earlier disbursement cycle. Payments without a due date will be scheduled on the next regularly scheduled check write.

## **Disbursement Cycles Policy**

Disbursement cycles for each division, facility and school shall be established to the extent practicable so that the overall efficiency of the warrant disbursement system is maximized while maintaining prompt payment of bills due. The Chief of the DHHS Controller's Office General Accounting/Financial Management Section shall approve the disbursement cycles for each division, facility and school. In house procedures are to be employed to schedule accounts payable for payment by the discount date or the due date. Checks shall be mailed on a schedule that will ensure delivery on the due date.

## **Disbursement of Special Appropriations - OSBPM Policy**

Special Appropriations are defined by the language of the General Assembly. When the General Assembly specifically identifies the local government or non-profit by name within the appropriation, it is considered a Special Appropriation subject to this policy. If the funds are appropriated to a division within DHHS and the decision for allocation is within our purview, then it is not considered a Special Appropriation and the normal contracting, disbursement and reporting processes are to be followed. If special appropriations continue in the certified budget for more than two (2) years, they will be considered regular appropriations, and will be controlled by policies and procedures, including the DHHS Cash Management Plan, for the normal disbursement process.

DHHS policies for disbursement of special appropriations are as follows:

1. Special appropriations are to be disbursed in accordance with the latest version of OSBPM's *Procedures for the Disbursement of Special Appropriations* (see Attachment 15 for OSBPM procedures effective for fiscal years 2000 and 2001.)
2. In addition to the OSBPM procedures, Jim Edgerton's memorandum dated August 16, 1996 provides the following policies and procedures:
  - If the special appropriation is less than \$15,000, payment to the local government or non-profit is to be made in a lump sum. Once the completed

and notarized “*Request for Payment of Appropriations from the North Carolina General Fund*” (see Attachment 15) has been received, the disbursement is to be made. A letter of disbursement should accompany the payment explaining the spending requirement and that the reporting requirements are not applicable.

- If the special appropriation is between \$15,000 and \$100,000, payment to the local government or non-profit is to be made in lump sum. Once the completed and notarized “*Request for Payment of Appropriations from the North Carolina General Fund*” has been received, the disbursement is to be made. Non-governmental entities are required to submit an annual sworn accounting of receipts and expenditures of the state funds. A letter of disbursement should accompany the payment explaining the reporting and spending requirements.
- If the special appropriation is for more than \$100,000, payment to the local government or non-profit is to be made on a quarterly basis, unless specified differently in the appropriations act. Exceptions to the quarterly process may be made by the secretary’s office. Once the completed and notarized “*Request for Payment of Appropriations from the North Carolina General Fund*” has been received, the quarterly disbursements are to be made. Non-governmental recipient entities are required, in accordance with G.S. 143-6.1, to submit to the Office of State Auditor financial statements in the format prescribed by the Office of State Auditor. A letter of disbursement should accompany the payment explaining the reporting and spending requirements.
- Governmental entities who receive special appropriations are required to submit a one page narrative description of how the funds will be used and a completed “*Special Appropriations Budget Information*” form at the same time that they submit the completed “*Request for Payment of Appropriations from the North Carolina General Fund*” form.
- All non-governmental entities who receive special appropriations are required to submit copies of the following items at the time that they submit the “*Request for Payment of Appropriations from the North Carolina General Fund*” form:
  - a. A notarized copy of the organization’s policy addressing conflicts of interest,
  - b. The organization’s charter and by-laws, trust indenture, partnership agreement, etc.,
  - c. List of board of directors/trustees,
  - d. Letters of tax exempt status form the Internal Revenue Service and the NC Department of Revenue,
  - e. One (1) page narrative description of how the funds will be used, and
  - f. A completed “*Special Appropriation Budget Information*” form.

- Disbursement of special appropriations can not be made until the conflict of interest statement is received.
- G.S. 143-6.1 authorizes the OSBPM to require entities receiving special appropriations to supply information demonstrating that the entity is capable of managing the funds in accordance with law and has established adequate financial procedures and controls. No additional information beyond that described in this procedure is being required by OSBPM at this time. If during the processing of the special appropriations, questions arise as to the entity's ability to manage the funds, the division should immediately contact the DHHS Controller's Office who will work with OSBPM to secure needed information to answer questions.
- Pursuant to G.S. 143-6.1, recipient organizations that receive, use or expend between \$15,000 and \$300,000 in state funds annually must file annually with the state agency that disbursed the funds a sworn accounting of receipts and expenditures of the state funds. This accounting must be attested to by the treasure of the grantee and one other authorizing officer of the grantee. The accounting must be filed within six (6) months after the end of the grantee's fiscal year in which the state funds were received.
- Recipient organizations that receive use or expend \$300,000 or more in state funds annually must file annually with the state auditor a financial statement in the form and in the schedule prescribed by the state auditor.
- Federal law may require a grantee to make additional reports with respect to the funds for which reports are require in this policy. Not withstanding the provisions of this policy, a grantee recipient organizations that receives, uses or expends between \$15,000 and \$300,000 in state funds annually may satisfy the reporting requirements in subsection 16.B. (8) of this section by submitting a copy of the report required under federal law with respect to the same funds or by submitting a copy of the report described in subsection 16.B. (9) of this section.
- Pursuant to G.S. 143-3.2(a), All warrants issued for non-state entities shall be delivered by the appropriate agency to the entity's legally designated recipient by United Sates mail or its equivalent, including electronic funds transfer.
- Special appropriations subject to matching requirements should be disbursed and expended in accordance with G.S. 143-31.4, non-state match restrictions. A copy of G.S. 143-31.4 is included in Attachment 15.

### **Advance of Financial Assistance Funds Policy**

If a DHHS division receives a request for an advance, and if the request meets the department's criteria for approval, a completed DHHS Certification of Cash Needs approved by division/facility/school management must be forwarded to the DHHS Controller's Office Program Benefit Payments Section, Branch Head in charge of payments for the division for a check to be issued.

1. There are two (2) types of arrangements or contracts, financial assistance and purchase of service (procurement) contracts. To distinguish between the two (2) types of contracts, refer to OMB Circular A-133 and NCAC T10 C1 S/B .0400. There is a list of questions to assist in distinguishing between a purchase of service or financial assistance arrangement. Advances are not allowed for procurement agreements including purchase of services contracts. For purchase of goods and services, DHHS will not pay until the goods and services have been received unless the item ordered requires prepayment from all customers. Contracts that have more than 30 days duration may provide for monthly payments based on satisfactory completion and delivery of specified deliverables or actual provision of specified services.
2. After a financial assistance type contract or grant agreement is signed, the contractor (agency director) may request an advance not to exceed the cash requirement for up to a 60 day period. An advance should be given only when a lack of an advance would create an economic hardship for the contractor (i.e., the agency should have very limited sources of cash outside of the contract or grant agreement). The agency requesting an advance must document this need (note: in the case of operating requirements, to attest that the advance is a continuing need) via the *DHHS Certification of Cash Needs* (Attachment # 12).

The certification of cash needs may be submitted along with the monthly reimbursement request, but it may also be sent separately. When the certification of cash needs is approved, it will be forwarded to the controller's office where the advance will be processed at the next reimbursement cycle. The 60 day limitation does not apply to grants with subrecipients for the purchase of capital items (e.g., start-up costs, purchase of automobiles and other capital items). In the case of capital purchases authorized in the contract or grant agreement, the entire amount budgeted for the capital expenditure may be advanced if it is purchased and paid for within 30 days, and the contractor documents that a delay of such reimbursement would create a financial hardship.

The DHHS Controller's Office will analyze the cash needs of the contractor no less often than every three (3) months. If it is determined by the department that the advance exceeds the financial needs of the contractor based on actual monthly expenditures, the excess advance will be reduced from a subsequent month's expenditure report/reimbursement. Any excess funds held by the contractor that are anticipated to be unexpended as of the last day of the contract period shall be refunded to the division by the contracting ending date.

3. In reference to advances beyond the 60 day limit, DHHS discourages this practice. Under unusual circumstances a request for an advance exceeding the 60 days period may be considered by the division, which may consult with the DHHS Controller's Office concerning the entity's audit history or other related fiscal matters relevant to the request. The request for advance must identify the unique circumstances that justify the advance and be signed by the entity's director and the board chair. Before

requesting an advance, the board chairperson will secure the approval of the entire board. The request to the division will require the two (2) signatures and provide evidence of the entire board's approval. The request will include the names and addresses of the board members. When the advance check is sent, all board members are to be notified by the DHHS Controller's Office.

**NOTE:** If a contractor is funded with federal funds and an advance is necessary to avoid a hardship for the contractor, **the division MUST identify and budget state funds to support the advance.** All advances must be settled before June 30 the fiscal year end. Federal funds may be used to support an advance to a contractor only if such an advance is allowed by federal regulations (some Block Grants), and the federal funds advanced are reportable as an allowable cost, and qualify as an allowable expenditure for federal reporting purposes, and would not otherwise require the use of state funds. Procedures for advancing federal funds to sub-recipients shall ensure compliance with Cash Management Improvement Act (31 CFR Part 205).

**EXCEPTION:** In accordance with a letter from the Administration for Children and Families, Division of Energy Assistance dated 7/2/01, the requirement to budget state funds to support advance payments to local contractors for the Weatherization Assistance Program through funds from the Low Income Home Energy Assistance Program is waived.

### **Advances to Area MH/DD/SAS Authorities DMH/MR/SAS Exception 7**

Payments to area authorities are made under financial assistance agreements. The department will provide local area authorities with an advance during the month of July each fiscal year. The advance will represent one twelfth of the state funds allocated to the area authority for the fiscal year. No payment of federal funds will be made to an area authority during the month of July unless it is clearly a reimbursement. The approved allocation will be based upon the prior year continuation funding level if the budget for the fiscal year has not yet been approved by the General Assembly. Thereafter, for services provided under the Mentally Retarded/ Mentally Impaired (MP/MI) and At Risk Children (ARC) programs, monthly payments shall be based upon earnings as computed by the respective unit cost reimbursement systems. Medicaid claims including state match will be reimbursed upon approval of a clean claim submitted to and approved by the State Medicaid claims contractor. All other funds, both state and federal, shall be paid in equal monthly amounts so that the remaining allocation is paid out over the remaining months in the fiscal year. If an amount greater than the aforementioned equal payment is requested, specific documentation must be submitted to indicate that a different amount is needed for one-time start-up expenditures. In such cases, the amount paid shall not exceed the estimated cash needs for a 30 day period. All payments shall be made in accordance with the annual memorandum of agreement between the area authority and the division of MH/DD/SAS as required by G.S. 122C-143.2.

### **Capital Project Disbursements for DMH/DD/SAS**

Capital project disbursements for DMH/DD/SAS shall be made in accordance with 10 NCAC 14C 1123, division funds for capital projects.

### **Employee Travel Advances Policy**

1. Employee travel advances can be issued no more than five (5) working days before the actual date of departure.
2. Travel advances shall not be issued for less than \$50.
3. Only one (1) travel advance may be outstanding per employee unless a permanent travel advance issued was issued and a special or temporary travel advance is needed to cover special training or conferences.
4. Travel advances must be approved by the employee's supervisor.
5. Travel advances may not be issued to employees who have an American Express Corporate Card for expenses that can reasonably be expected to be charged on the card.
6. In accordance with the State of North Carolina Budget Manual, Section 5, requests for reimbursement must be filed within 30 days after the travel period ends for which the reimbursement is being requested.
7. All advances must be settled before June 30 each year. (Reference: "North Carolina Department of Health and Human Services Internal Policy and Procedures Manual".)
8. Effective 9/1/01, DHHS will make all payments to employees' (including travel advances) via direct deposit to the employee's bank account registered with the DHHS Controller's Office. In order to achieve economy in DHHS operations, reimbursement for travel expenses and advances by direct deposit is mandatory unless the employee does not receive his/her pay by direct deposit.

### **Purchasing From or Through State Employees Policy**

All purchases for the divisions, facilities and schools must be in accordance with state laws, policies and procedures. Employees will not be reimbursed for purchases they make outside of purchasing guidelines. No purchase shall be made from or through a state employee except under the NC State Purchase and Contract Manual V, Purchasing *from or through state employees*, which requires prior approval of the Secretary of the Department of Administration.

### **Escheat Law - Unclaimed Property**

G. S. 116B-60(d) requires that all unclaimed property (primarily unclaimed warrants/checks) that have been dormant for period of one (1) year at June 30 must be reported to the state Treasurer each year by November 1. The law requires that the holder of abandon property shall make a good faith effort to locate the apparent owner. G.S. 116B-59 requires the holder to send written notice of the escheat, by first class US mail, to the apparent owner no more than 120 days or less than 60 days before filing the annual report, to the last known address of the apparent owner as reflected in the holders records, if the value of the property is \$50 dollars or more. Amounts under \$50 dollars must still be reported, but no notice is required. The Chief of the General Accounting/Financial Management Section shall be responsible for assuring compliance with this section and coordinating this effort with the Chief of the Program Benefit Payments Section and the Accounts Receivable Section for uncashed Medicaid payments made by EDS from the state agency clearing account. Within DHHS, efforts will be made to contact the payee of any check that is outstanding after 90 days. The federal share of uncashed Medicaid and public assistance checks may not be escheated and must be refunded or credited to the federal government in accordance with the applicable program regulations.

**Imprest /Petty Cash Fund Policy**

1. All imprest or petty cash funds are to be approved by the DHHS Controller. Upon approval by the DHHS Controller, a budget revision establishing the fund may be sent to Office of State Budget, Planning and Management for their approval. All petty cash funds shall be reevaluated annually. The evaluation should address the need for the fund, the appropriateness of the funding level and assurances that the disbursements from the fund are not circumventing the purchasing process. The division/facility/school director will verify and justify the need for the fund’s continuation and the appropriateness of its funding level to the DHHS Controller by May 31 each year. The justification should include the annual usage data and unique circumstances of the division.
2. Petty cash funds are to be utilized during the fiscal year for emergency purchases in situations where the normal requisitioning/purchasing process is deemed too lengthy and to provide change in the day to day operations.
3. Petty cash funds are to be kept at a minimal level and are to be kept locked up in a safe or file cabinet with offices locked in the absence of the fund custodian. The cashier or the employee acting as cashier is responsible for control of the imprest/petty cash funds.
4. Petty cash receipts and invoices should be reconciled on an on-going basis by the custodian of the fund. Reconciliation of the petty cash fund is to be made each month by both the custodian of the petty cash fund and the employee responsible for bank deposits, or another employee designated by the Chief of the General Accounting/Financial Management Section. An audit or surprise audit of the petty cash fund is to be made not less than annually by an employee assigned by the Chief

of the General Accounting/Financial Management Section or the Chief of Cost Accounting/Financial Reporting Section. In those instances where the audit finds discrepancies in cash on hand plus unreimbursed expenditures (i.e. the total must equal the amount of the petty cash fund at all times), the finding will be documented and reported to the division, Chief of the General Accounting/Financial Management Section or the Chief of Cost Accounting/Financial Reporting Section. The Institution Business Manager when applicable, and to the DHHS Controller. For outlying offices, the accountant in charge of the field office is responsible to ensure the audits are conducted. He/she may request an audit be performed by the Chief of the General Accounting/Financial Management Section who will assign staff to conduct it from locations close to the site.

5. Reimbursement of expenditures made from all petty cash funds will be as needed, but not less than monthly. The petty cash fund custodian shall maintain receipts supporting each petty cash disbursement. The custodian shall prepare a request for petty cash reimbursement form provided by the DHHS Controller's Office that lists all disbursements since the last reimbursement request grouped by account/center and the amount of petty cash on hand as of the time and date the reimbursement request is mailed. The sum of the listed disbursements and the cash on hand should equal the authorized amount of the petty cash fund at all times and any differences must be fully explained. Petty cash reimbursement requests are to be submitted to the appropriate branch in the General Accounting/ Financial Management Section within the DHHS Controller's Office. (See DHHS Controller's Office Procedure GA026 for an example procedure and Petty Cash Request For Replenishment and Reconciliation form to be used by the Schools of the Division of Deaf and Hard of Hearing)
  
6. The entire petty cash fund is to be deposited with the state treasurer by the end of the fiscal year.

**Revolving Funds Policy**

For the purpose of this policy a revolving fund is any fund established to operate from its own receipts (i.e. a fund established for large meetings, conferences, special events, special revenue funds, service funds and enterprise funds). Any such funds must be approved by the DHHS Controller and will also require at minimum an approval of an internal budget revision before receipt or disbursement of any funds. Requests to establish a revolving fund will be from the division's director or budget officer indicating the purpose and need for the fund, the appropriateness of the level of funding and the assurance that the fund will not be used to circumvent the purchasing or budgeting process. The request should also include the federal or state legislation which authorizes/requires the establishment of the fund. Upon approval by the DHHS Controller, the department will submit a request to the State Treasurer's Office for approval. The revolving fund shall be reevaluated annually. The evaluation should consider the continued need for the fund, the appropriateness of the funding level, and the assurance that the fund is not being used to circumvent the purchasing process. The division director will verify this to the DHHS Controller by May 31 each year. The Division Budget

Officer will indicate, on the division director's request, his/her concurrence or non-concurrence with the appropriateness and level of the fund.

1. These funds are to be utilized during the fiscal year for the stated purpose of the fund.
2. The division/ director shall designate an employee who is responsible for control of the revolving fund.
3. The DHHS Controller's Office will provide and be responsible for receipts, disbursing and accounting functions incident to the operation of any such funds.

### **Patient/Student Personal Funds Disbursement Policy**

Due to the diverse treatment groups residing in DHHS institutions, the institution director or school director must establish an institution specific policy to control distribution, expenditure, handling, accountability, and safe maintenance of patient/student personal funds maintained on wards/units. This policy must address the following minimum internal controls, and must be submitted for review and approval by the DHHS Controller. (See Example Institution Personal Funds Policy - Attachment 13)

1. Ward/unit accounting procedures and security measures: (i.e. money envelope systems, locked files, etc.)
  - Cash receipt procedure
  - Cash disbursement procedure
  - Withdrawal request procedure
2. Accounting for patient/ student trip and outing funds withdrawn:
  - Positions authorized to request and/or receive and spend funds
  - Type of expense documentation required
  - Return of unexpended funds to division/facility/school cashier
3. Group Purchase Policy and Accounting.
4. Positions authorized to approve and submit Personal Funds Withdrawal Request forms to the controller's office.
5. Positions authorized to approve expenditures or allowances from ward/unit personal envelopes and documentation required.
6. Policy on type/class of patients/students allowed to retain and manage their own funds on wards/units. DHHS suggests one (1) week's allowance, so all patients' funds cannot be lost or stolen from wards/units.

7. Maximum amount of patient/student funds that may be retained in cash on the ward/unit for each patient/student.
8. Types of expenditures allowed and who other than patient/student can make a spending decision.
9. Reconciliation of patient's ward/unit cash on hand to the money envelope balance.
10. Weekly ward/unit cash report to show total cash on hand vs. totals on envelopes and cash short, missing or alleged stolen funds.
11. Periodic surprise audit of ward cash to balances on money envelope.
12. Positions authorized to request refund checks when client is discharged. Cash refunds will not be allowed, but the cashier may cash check for patient/student or responsible party.
13. Requirements for expenditure of Social Security funds.
14. Requirements for expenditure of VA Funds.

**Employee Time Sheets Required to Document Charges to Federal Grant Programs and Contracts Policy**

Employees that work on a federal program and one (1) or more other federal, state programs or cost objectives shall separately account for time spent in each federal program, each cost allocable or indirect cost activity and all other state funded programs on a standard *DHHS Federal Time Reporting Record*. Time shall be charged in quarter hour units. The *Federal Time Reporting Record* shall be prepared in addition to and in balance with the Monthly Report of Hours Worked and Leave Taken Report. *Federal Time Reporting Records* shall be signed by the employee's immediate supervisor to indicate that time charged to federal programs is allowable in accordance with the grant agreements or contracts to which time has been charged. All *Federal Time Reporting Records* shall be completed and sent to the DHHS Controller's Office Cost Allocation Unit no later than the fifth working day following the end of each month. Federal programs shall not be direct charged for indirect cost activities.

## **DHHS Contract Reimbursement Request and Certification Policy**

As a precondition to any payment or reimbursement under a DHHS purchase of service contract or a financial assistance agreement, all DHHS contractors and financial assistance recipients shall complete a *DHHS Reimbursement Request and Certification Form* that must be signed by the chief executive officer of the contracting or recipient organization on a monthly basis. *The DHHS Reimbursement Request and Certification Form* may be modified to meet the needs of a specific program or type of contract, but the form will in all cases include one of the following certifications as appropriate. Requests for reimbursement will be required no less than monthly.

### **1. Certification for Financial Assistance Agreement**

As chief executive officer of the recipient organization, I hereby certify that the cost or units billed for reimbursement on the above Request for Reimbursement were incurred or delivered according to the provisions of the assistance agreement. I further certify that any required matching expenditures have been incurred, and that to the best of my knowledge and belief we have complied with all laws, regulations and contractual provisions that are conditions of payment under this contract.

### **2. Certification for Purchase of Service Contract**

As chief executive officer of the contracting organization, I hereby certify that the units billed to DHHS on this public payment voucher have been delivered in accordance with the conditions of the contract, and that to the best of my knowledge and belief we have complied with all laws, regulations and contractual provisions that are conditions of payment under this contract.

## **Electronic Payments – Disbursements**

*DHHS shall utilize electronic payments, in accordance with G.S. 147-86.22 and the State Cash Management Plan, to the maximum extent possible and consistent with sound business practices. DHHS has submitted a business plan to the State Controller for evaluation prior to the utilization of electronic payments. DHHS will utilize the Master Settlement Agreement (MSA) for electronic payment processing and will establish policies and procedures necessary to facilitate the use of electronic payments. DHHS will incorporate the statewide electronic payment policies and procedures established by the State Controller and will include these policies and procedures in the DHHS Cash Management Plan.*

## **Cash Management Improvement Act (CMIA) Compliance**

Federal Funds received for major assistance programs to support disbursements that are governed by the Cash Management Improvement Act of 1990, are drawn in accordance with the current state/federal agreement.

Federal funds drawn to support expenditures are deposited to the federal fund budget code 34410. These funds are timed to be on deposit with the state treasurer no more than two (2) business days prior to disbursement/transferring them to the General Fund Budget Code 144xx of the respective DHHS Divisions.

*For questions or clarification on any of the information contained in this policy, please contact [The Office of the Controller](#). For general questions about department-wide policies and procedures, contact the [DHHS Policy Coordinator](#).*